

BOSTON REDEVELOPMENT AUTHORITY

Report and Decision on Application for Consent to
Acquisition of the One Beacon Street Chapter 121A
Project by the Prudential Insurance Company of America

A. The Hearing. A public hearing was held by the Boston Redevelopment Authority (hereinafter called the "Authority") at 1:00 p.m. on December 15, 1977, in the Board Room of the Authority, 9th Floor, 1 City Hall Square, Boston, Massachusetts, on the Application dated November 18, 1977, and filed November 21, 1977, by the Prudential Insurance Company of America (hereinafter sometimes called the "Applicant") for consent by the Authority to the Applicant's acquisition of a project which had earlier been authorized and approved under Chapter 121A of the Massachusetts General Laws, as amended, and Chapter 652 of the Acts of 1960, as amended. Due Notice of said hearing was given previously by publication on November 30 and December 7, 1977 in the BOSTON HERALD AMERICAN, a daily newspaper of general circulation published in Boston, and by mailing, postage prepaid, all in the same manner and to the same persons as set forth in Rule 8 of the BOSTON REDEVELOPMENT AUTHORITY RULES AND REGULATIONS FOR SECURING APPROVAL OF PROJECTS IN BOSTON UNDER CHAPTER 121A OF THE GENERAL LAWS AS AMENDED and in Section 13 of said Chapter 652. The following members of the Authority were present during the hearing:

Robert L. Farrell
Joseph J. Walsh
James G. Colbert
James K. Flaherty
James E. Cofield, Jr.

B. Authority Action. Before making the findings and determinations hereinbelow set forth and approving the Application and consenting to the proposed acquisition, the Authority has considered the Application and all documents, plans and exhibits filed with it or referred to in it, the evidence and exhibits presented at the hearing, the records of the Authority with respect to the Project made prior to the Application, the records of the Authority with respect to the Applicant's carrying out of the Prudential Center Project, and the arguments and statements made at the hearing. The members of the Authority are also personally familiar with and have recently inspected the Project.

Based on the foregoing, the Authority makes the following findings and determinations.

The Project. The Project is commonly known as One Beacon Street. It is bounded generally by Tremont, Beacon and Somerset Streets, Pemberton Square and Three Center Plaza. Construction of the Project has been completed. It consists of an office tower of 36 stories containing about 1,000,000 square feet of office space with underground garage and other appurtenant facilities. The Project and Project Area are more fully described in the Report and Decision of the Authority as amended, by which the Authority authorized and approved the Project under Chapter 652 of the Acts of 1960 as amended. The said report and Decision was duly adopted by the Authority on August 28, 1969, and was duly amended by the

Authority on June 18, 1970, and again on September 3, 1970. These votes of the Authority were approved by the Mayor of Boston on September 12, 1969, July 16, 1970 and September 29, 1970, respectively. Certificates of these votes and mayoral approvals were filed with the Clerk of the City of Boston by the Secretary of the Authority on September 15, 1969, July 20, 1970, and October 1, 1970, respectively.

The Present Owner. The Project is owned by:

The Northern Assurance Company of America
The Employers' Fire Insurance Company
American Employers' Insurance Company
Commercial Union Insurance Company

This group of companies is commonly known as Commercial Union Assurance Companies, or "CU." It is the same group of companies that has owned the project since its inception although there have been mergers and name changes among the constituent companies of the group, all as detailed in the footnote to paragraph 6 of the Application.

The Applicant. The Applicant is one of the nation's largest insurance companies. It is incorporated under the laws of New Jersey and is authorized by the Massachusetts Division of Insurance to transact business in this Commonwealth. Its audited financial statements for the five calendar years completed next prior to the hearing demonstrate that it is a very large investor in real estate, as owner and otherwise, and has ample financial resources. It had assets approaching \$44 billion as at the end of 1976, including real estate owned (but not occupied by it) of \$1.433 billion, unassigned surplus of \$1.259 billion and contingency reserves of \$550 million. Official notice is taken of its extensive experience in planning, constructing, maintaining and managing the Prudential Center Project which is the largest Chapter 121A project in the city. The applicant has the ability requisite to

perform the obligations and carry out the duties imposed by Chapter 121A with respect to the One Beacon Street Project.

Investment in Project and Financing of Acquisition. The mean amount invested in the Project by the present Owner as of 1976 (the year most recently completed at the time of the hearing) was \$85,009,578. The Applicant is to pay \$77,400,000, including the assumption of an outstanding mortgage of approximately \$44,000,000 (nearest million), for acquisition of all property of the Project and subject to the obligations and rights of the Project under General Laws, Chapter 121A. The Applicant does not propose to raise any capital in connection with the acquisition.

Changes. It is not proposed that by reason of the acquisition there be any changes in the Project or the plan for the Project as previously authorized and approved by the Authority.

Effect on Environment. The Project has been constructed and the acquisition will not cause any change in it. Therefore the acquisition will have no effect upon the environment.

Construction, Maintenance and Management of the Project. On December 29, 1969, the present Owner of the Project entered into a contract with the City of Boston pursuant to Sections 6A and 14 of Chapter 121A for the carrying out of the Project as approved by the Authority. That contract requires the Owner and its successors and assignees to carry out the Project by constructing, maintaining and managing the same in accordance with its Application; in accordance with the then-existing provisions of Chapter 121A of the General Laws, of Chapter 652 of the Acts of 1960, of the Rules and Regulations of the Authority, and of the Minimum Standards for the Financing, Construction, Maintenance and Management of the Project; and also in accordance with the

Report and Decision of the Authority approving the Project. The construction of the Project has been completed. The Owner and its successors and assignees are obligated to maintain and manage the Project as specified in the Contract. The Applicant, Prudential Insurance Company of America, has agreed with the city to assume the obligations of the contract which arise after transfer of title to the Project. It seeks to be substituted from that time forward in every way relating to the Project and to succeed to all the accounts, rights and obligations of the Project. CU has agreed with the City and the Applicant to remain responsible after transfer of title for all of its obligations that have and shall have arisen prior to the transfer of title. The form of an agreement by Prudential and CU with the City to this effect is attached to the Application.

Public Revenues. The contract of December 29, 1969, between the present Owner and the city provides for payments to the city. It requires the Owner, its successors and assignees to pay each year (in addition to the excise prescribed by section 10 of Chapter 121A) the amount by which the greater of \$1,090,000 or 23% of the gross income of the project exceeds the said excise. The gross income of the Project is defined by that contract to include (1) rentals received by the Owner from others as lessees of the space in the building, plus (2) sums (which may be called "assumed occupancy values") for space in the building occupied by the Owner for its non-project business. Since sums payable to the City are a percentage of rentals and assumed occupancy values, any increase in those amounts will increase the payments to the City. The contract stipulates that the assumed occupancy values are to be computed at the rate of \$4.00 per year for each square foot of area occupied by

the Owner below the first floor, \$7.64 per square foot so occupied on floors 2 - 16 inclusive, and \$8.00 above the 16th floor.

Upon acquisition of the Project by the Applicant, CU will no longer be the owner. CU and the Applicant have agreed that upon transfer of the Project CU will be a lessee of the Applicant under a 15 to 21 year lease of approximately 439,480 square feet of space in the Project. The rent required to be paid by CU under this lease is considerably higher than the assumed occupancy values stipulated in its contract with the City. Rental payments required under the lease will vary from approximately \$12.76 to \$14.33 per square foot per year during the first 15 years, and thereafter are to be at then-current market rates. The gross income of the Project from the CU space is thereby to be increased. Therefore the yearly contractual payments to the City on account of the space occupied by CU will be substantially increased by the proposed acquisition. The increase will be about \$650,000 for the first full year of CU's changed status as lessee instead of Owner.

Conclusion. The Authority hereby finds that the Application, the Applicant and the proposed acquisition comply with each and every applicable requirement of Chapter 121A of the General Laws, as amended, Chapter 652 of the Acts of 1960, as amended, and the applicable Rules and Regulations of the Authority; and the Authority, for these reasons and for the reasons set forth in the Application and supporting documents, the evidence and exhibits presented at the hearing and in this Report, the materials referred to in the Report, and the facts officially noticed in this Report, hereby consents to the acquisition by the Applicant of the One Beacon Street Project, as requested in the Application.

MARCH 23, 1978

MEMORANDUM

TO: BOSTON REDEVELOPMENT AUTHORITY

FROM: ROBERT F. WALSH, DIRECTOR

SUBJECT: PRUDENTIAL INSURANCE COMPANY
CONSENT TO THE ACQUISITION OF ONE BEACON STREET

On December 15, 1977, a public hearing was held on the Application of the Prudential Insurance Company for consent to its acquisition of the 121A Project known as One Beacon Street. The Applicants sought consent to acquire the 36-story office tower which contains approximately one million square feet of space. The Applicant, which had assets approaching \$44 Billion at the end of 1976, will pay \$77,400,000 including the assumption of an outstanding mortgage of approximately \$44,000,000 for the acquisition of the entire project.

The Authority has found that the Applicant has exhibited the requisite ability to acquire the Project in accordance with Chapter 121A, as amended.

It is therefore recommended that the Authority adopt the following Vote approving the Report and Decision.

VOTED: That the document presented at this meeting entitled: "Report and Decision on Application for Consent to Acquisition of the One Beacon Street Chapter 121A Project by the Prudential Insurance Company of America" be and hereby is approved and adopted.

VOTED: That the Prudential Insurance Company shall submit annually on a calendar year basis, on or before the 31st of March in the following year, a statement to the Boston Redevelopment Authority and the City of Boston which shall consist of a summary of both income and operating costs together with a rent roll indicating the names of the tenants and the amount of the space leased.